

KAUA'I VACATION RENTALS

A COMPETITIVE ANALYSIS OF THE GEOGRAPHIC AND ECONOMIC FOOTPRINT



This report was prepared for Vacation Rental Managers of Kaua`i and funded by Kaua`i Board of Realtors.

The statements and findings contained herein are the exclusive product of the Kauaian Institute and do not necessarily reflect the views of the manager or realtor groups or their members.

Founded at the turn of the century, The Kauaian Institute is an independent research organization whose mission is to provide accurate, detailed and timely information about all aspects of life on Kaua`i for decision-makers in business, government and the non-profit sector.

The Kauaian Institute maintains an extensive computer database of public and private information about Kaua`i including monthly and annual indicators from 1970 to the present.

The Kauaian Institute also maintains an extensive geographic information system (GIS) for mapping the physical, economic, and ecological features of the island with client-tailored themes, 3D images, and virtual reality programs.

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MARKET SEGMENT ASSESSMENT



VACATION RENTALS

THE GEOGRAPHIC AND ECONOMIC FOOTPRINT

Now in their 12th year of visiting Kaua`i at least once a year, Al and Lisette from Texas have settled into the Northshore home of an Australian rugby star who rents to guests when he is not on island.

Both parties are in the "target demographic" driving local real estate and are among Kauai's best visitors-- loyal, frequent repeaters who are more likely to put money in local hands, thus magnifying economic benefits.

Vacation rentals have recently proliferated on the Northshore and Westside, raising concerns about unclear regulations and selective enforcement.

This study is the first to document what is known about this segment of visitor lodging.

WHERE ARE THEY?

- With 2,199 units, including 1,779 condos and 420 private homes and cottages, vacation rentals comprise 15% of all housing, and 30% of all rentals.
- Vacation rentals are found in every town and 98% of Kauaians live in Census blocks with 5 or more.
- 80% of vacation rental units are located within a VDA, and 45% of non-VDA units are on the Northshore.

This Segment Assessment presents the best available data in a format for policy decisions regarding the challenge and opportunity of vacation rentals.

Vacation rentals comprise 30% of visitor accommodations on Kaua`i and are a significant and differentiating asset.

Unlike the other islands, Kauai offers a balanced set of lodging options and attracts many more visitors who wish to be more like neighbors than guests.

Some readers may use the data reported here to argue for tighter regulation, while others may use the data to support a more proactive visitor asset management strategy.

Although broad policy issues can be informed by existing data, much remains unknown and more research is needed to assess the related effects on local rentals and home-buying.

WHO USES THEM?

- Repeat visitors prefer more lodging options, and 38% now stay in vacation rentals.
- Vacation rental patrons are twice as likely to visit local markets and craft fairs as the average visitor.
- Patrons show more support for local business and are over 30% of the market for helicopters and health spas.
- Vacation rentals cost less on average and patrons come from all income groups.

FINDINGS INSIDE

- Town-by-town indicators are tabulated and mapped to show the size and share of vacation rentals across the Kaua`i housing market, beginning on page 5.
- Segment-by-segment indicators are tabulated and graphed to show the volume and characteristics of visitors and vacation rental facilities, beginning on page 10.
- Line-by-line and town-bytown indicators are tabulated and graphed to show the revenues, jobs and rental impacts associated with vacation rentals, starting on page 13.
- Block-by-block counts on Census seasonal units are displayed on detailed town maps, beginning on page 16.

WHAT IS THE IMPACT?

- Multiplied vacation rental impacts generate 1,600 jobs and 30% of lodging dollars.
- This \$100 million segment serves over 300,000 visitors, provides nearly 1,000 direct jobs, and pays \$15 million in state and local taxes.
- From 1990-2000, no town lost long-term rentals due to increased short-term rentals.
- Vacation rentals give Kaua`i more diversified lodging options than other islands.

DETAILED EXHIBITS:

District Count of Visitor Units	2
• Five-Year Market Trend and Island Lodging Share	3
• 5-Year Trend by District	4
Seasonal Units, by Town	5
Town Seasonal Units Changes, 1990-2000	6
Vacation Rentals, by VDA	7
Individual Vacation Units, by Place	8
Map of Housing Tenure by Town	9
Lodging Preferences and Price Classes	10
Visitor Segment Activity Preferences	11
 Vacation Rental Patron Share of Activities 	12
Local Economic Impacts	13
Multiplied Job, Earnings and Output Effects	14
Town Indicators of Vacation Rental Impacts	15

ILLUSTRATIVE MEDIA:

"I worried that I'd put too much faith in pretty pastel pictures and alohas, yet my Kaua`i cottage turned out to be even more alluring than it seemed on the Web site."

Travel Writer Daisann McLane, NY Times, 28 Dec 03

"The presence of vacation rentals in residential neighborhoods means even fewer homes available as rental properties for residents, and lower availability of for-sale homes as well.".

Business Editor Paul Curtis, The Garden Island, 5 Jun 03

"Vacation rentals feel like you're staying in your own home."

www.kauaiholiday.com/rentals/

""We can't change the dynamics of the real-estate market, which is really driven by Mainland folks, the visitors' desire to own on Kaua`i."

Realtor Michael Schmidt, The Garden Island, 3 Aug 03

Detailed Maps of Vacation Rentals

16-20

DEFINITIONS AND DATA FOR VACATION RENTALS

WHAT IS THE FOCUS OF THIS ASSESSMENT?

The purpose of this study is to depict the vacation rental segment as accurately as possible with data as current as possible. The visitor accommodations analyzed in this study include all condos not used for timeshare and all private homes available for short-term rental except Bed & Breakfast units.

WHAT IS THE SOURCE OF DATA USED IN THE STUDY?

Two primary data sources are used. Census 2000 contains details on seasonal housing (including condos), which is defined as housing available for seasonal, recreational or occasional use. Additional Census data regarding housing and jobs were also utilized in the impact estimates. DBEDT 2002 Visitor Plant Inventory contains details on all visitor accommodations, including hotels, condos, timeshares, individual vacation units, bed & breakfast units, and other accommodations. DBEDT is also the source for detailed visitor counts and characteristics as well as the Input-Output model used in the impact estimates.

The Kauaian Institute combined these sources and adjusted the data for Kaua`i markets to derive the detailed estimates contained in this report.

WHAT ARE THE OVERALL NUMBERS?

The 2000 Census found **3,850 Seasonal Units** in the Kaua`i housing market.

These units are located in every Kaua`i town, and 98% of residents live in Census blocks with 5 or more "seasonal" units.

Detailed maps of these units for each Census block are shown beginning on page 16.

DBEDT's 2002 Visitor Plant Inventory counts **3,923 Vacation Units**, including 1,643 timeshare, 1,779 condos, 420 individual vacation (IVU) units, and 81 B&Bs.

This study combines condos and IVUs for a total of **2,199 Vacation Rental** units. These units form the basis of the demographic analysis presented on page 10 and the economic impacts on page 13.

Note that 2000 Census and DBEDT 2002 total counts are similar (3,850 versus 3,923).

DISTRICT COUNT OF VISITOR UNITS

	Seasonal	Vacation	Vacation
DISTRICT	Units*	Units**	Rentals***
North Shore	1,076	1,236	656
East Side	769	937	518
Central	280	415	52
South Shore	1,556	1,283	930
West Side	169	52	43
TOTAL	3,850	3,923	2,199

*Defined by Census 2000 as housing units for seasonal or occasional use.

**D efined by DB EDT 2002 as non-hotelvisitoraccom m odations.

***Defined by DBEDT 2002 as non-timeshare condos & individual vacation units

Source: 2002 DBEDT Visitor Plant Inventory and Census 2000

WHAT ARE THE DATA LIMITATIONS?

Census data is somewhat dated yet provides the only complete and consistent count.

DBEDT data is somewhat incomplete yet provides the only details for each segment of the visitor accommodation market.

This Table (right) illustrates the special data challenges associated with IVUs—the private homes and cottages scattered around the island.

Three different sources, including DBEDT, vacation rental managers and the vacation rental-by-owner website, found a total count of IVUs that ranged from 334 to 496.

These listings contain many duplicate records, and a "best guess" estimate places the total number of IVUs at somewhere between 500 and 600 units.

Help is on the way, as a recent initiative by the vacation rental managers worked to ensure that all units will be listed with DBEDT in the 2003 Visitor Plant Inventory.

INDIVIDUAL VACATION UNITS: ALTERNATE COUNTS

	DBEDT	MANAGER	OWNER
DISTRICT	LIST1	LIST ²	LIST ³
NORTHSHORE	213	336	187
EASTSIDE	25	63	39
CENTRAL	4	2	3
SOUTHSHORE	135	81	96
WESTSIDE	43	14	9
TOTAL	420	496	334

SOURCES:

- $1: \mathtt{DBEDT}\ 2002 \mathtt{V}$ is nor P and Inventory
- 2: KauaiVacation RentalM anagers 2003 Inventory
- 3:From vrbo com 2003website

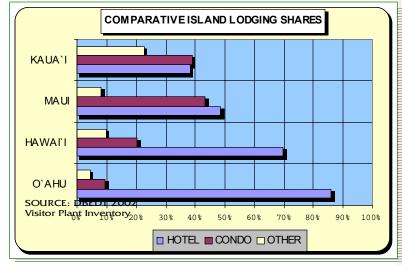
The Kauaian Institute is working to update the combined listings to compile a complete, non-duplicative inventory of vacation rental units, and anticipates linking these lists to TMK records as a basis for implementing regular monitoring of vacation rental usage.

MARKET TRENDS AND ISLAND DIFFERENTIATION

HOW DO KAUA`I LODGING OPTIONS COMPARE WITH OTHER ISLANDS?

A comparative profile (right) of the four major islands' share of hotel rooms, condos (including timeshare) and other lodging shows Kaua`i with the most balanced set of visitor options.

Over 20% of visitors chose lodging other than hotels or condos, which includes homes, apartments, bed & breakfast and other non-traditional units, compared with less than 10% on the other islands.



HOW HAS LODGING MARKET SHARE BEEN CHANGING?

A time series chart of the share of lodging going to each segment shows Kauai timeshares jumping from 0% to over 10% since 1998.

The market share for hotels is falling toward 40%, and mixed lodging is rising above 20%.

Individual vacation units (which include private homes, cottages, apartments, B&Bs and other units in this tabulation) have been holding steady at 10% share.

5-YEAR TREND, LODGING MARKET SHARE 60% 50% OF VISITORS 40% 30% 20% 10% 0% 1998 1999 2000 2001 2002 OURCE: DBFDT 2002 •Hotel X - Mixed C ondo Visitor Plant Inventory WII Tim eshare

HOW MANY VISITORS CHOOSE EACH LODGING SEGMENT?

The Table below shows that the Timeshare segment took visitor traffic from hotels and condos, and all segments except Timeshare and Mixed have been declining.

LODGING CHOICES BY KAUA'I VISITORS

TYPE	2002	2001	2000	1999	1998
Hotel *	433,703	465,569	535,322	543,461	548,829
Condo *	143,091	155,203	180,537	233,107	235,692
Timeshare *	102,122	99,522	84,677	0	0
Apartment	5,713	12,359	12,160	14,388	14,903
Bed & Breakfast	20,238	21,513	23,991	27,114	25,006
Friends/Relatives	69,109	68,679	70,395	78,779	79,098
Mixed **	227,281	185,852	167,739	192,438	174,872
TOTAL	1,005,898	1,008,698	1,074,821	1,089,289	1,078,400

*Onlyaccom m odations. **Staying inmuliple accom m odations.

SOURCE: DBEDT 2002VisiorResearch AnnualReport

HOW HAS VISITOR LODGING CHANGED SINCE 1998?

This table shows the District counts for each segment of the Kauai accommodation market in 1998 and 2002 as well as the changes for each District and segment over this 5-year period.

Counts for vacation rentals (shown in the purple colums) include 1,779 condos and 420 IVUs in 2002, compared with 1,929 condos and 347 IVUs in 1998, for a net decrease of 150 condos and a net increase of 73 IVUs.

The Southshore had the most vacation rentals in 2002, with 795 condos and 135 IVUs, while the Northshore was second with 443 condos and 213 IVUs.

Notice that total units were up just 68 over this 5-year period. A total net increase of 388 Timeshare units and 73 IVUs was offset by declines of 182 hotel units, 150 condos and 61 other accommodations.

5-YEAR CHANGE IN KAUA'I ACCOMMODATIONS, BY SEGMENT AND DISTRICT						
VISITOR ACCOMMODA	VISITOR ACCOMMODATIONS, 2002			Rentals	•	
DISTRICT	Hotel	Timeshare	Condo	IVU	Other	TOTAL
North Shore	252	560	443	213	24	1,492
East Side	947	382	493	25	77	1,924
Central	806	363	48	4	0	1,221
South Shore	1,015	338	795	135	15	2,298
West Side	50	0	0	43	9	102
TOTAL	3,070	1,643	1,779	420	125	7,037
					-	
VISITOR ACCOMMODA	ATIONS, 199	8	Vacation	n Rentals		
DISTRICT	Hotel	Timeshare	Condo	IVU	Other	TOTAL
North Shore	252	334	461	227	43	1,317
Kawaihau	1,183	382	427	28	72	2,092
Lïhu`e	754	303	118	4	20	1,199
South Shore	1,013	236	923	68	43	2,283
West Side	50			20	8	78
TOTAL	3,252	1,255	1,929	347	186	6,969
					•	
ACCOMMODATIONS C	CHANGE, 199	8-2002	Vacation	Rentals		
DISTRICT	Hotel	Timeshare	Condo	IVU	Other	TOTAL
North Shore	0	226	-18	-14	-19	175
Kawaihau	-236	0	66	-3	5	-168
Lïhu`e	52	60	-70	0	-20	22
South Shore	2	102	-128	67	-28	15
West Side	0	0	0	23	1	24
1998-2002 Change	-182	388	-150	73	-61	68
Source: DBEDT 2002 Vis	sitor Plant Inve	entory				

Note that Northshore IVUs actually declined over this period, from 227 to 213 units, while the Westside more than doubled from 20 to 43 IVUs.

The Southshore had the most new IVUs, climbing from 68 to 135 units.

LOCATION ANALYSIS Page 5 of 20

THE GEOGRAPHIC FOOTPRINT OF VACATION RENTALS

HOW MANY SEASONAL UNITS ARE IN EACH TOWN?

This Table presents the Census 2000 counts for seasonal (short-term) units in each Kaua`i town together with the number of units occupied by owners and long-term renters.

All but 489 of the 3,850 seasonal units are located in a town. Po`ipu has the most seasonal units, with 1,480, and Ele`ele has the fewest with 5.

Overall, seasonal units comprise 15% of all Kaua`i housing units.

Notice there are a total of 7,799 renter-occupied units and 12,384 are owner-occupied. These can be contrasted with the 7,000 visitor units (see Table on page 4).

	TOWN-BY-TOWN SEASONALAND RESIDENTIAL UNITS					
	_	Seasonal (ST)	Renter (LT)	Owner	Total	
	Town	Units	Occupied	Occupied	Housing	
1	Anahola	27	137	412	576	
2	Ele`ele	5	147	479	631	
3	Hanalei	93	91	102	286	
4	Hanama`ulu	6	369	533	908	
5	Hanapepe	6	216	490	712	
6	Kalaheo	26	456	972	1,454	
7	Kapa`a	292	1,401	1,728	3,421	
8	Kekaha	29	376	697	1,102	
9	Kilauea	110	250	442	802	
10	Koloa	11	382	311	704	
11	Lawai	8	192	519	719	
12	Lihu`e	71	889	1,289	2,249	
13	Omao	15	140	252	407	
14	Po`ipu	1,480	185	287	1,952	
15	Princeville	735	274	478	1,487	
16	Wailua	388	338	443	1,169	
17	Wailua Homestead	42	587	1,068	1,697	
18	Waimea	17	289	331	637	
ĺ	Not in Town	489	1,080	1,551	3,120	
	TOTAL	3,850	7,799	12,384	24,033	
	Source:Census 2000	,			3,120 24,033	

This tabulation enables a review of the relative size of seasonal units in each town's housing market. Notice that all but four towns have many more renter units than seasonal.

Po`ipu, Princeville and Wailua have many more seasonal than renter units, while the numbers are nearly equal in Hanalei.

LOCATION ANALYSIS Page 6 of 20

HOW MUCH NEW HOUSING IS SEASONAL UNITS?

The Table below presents the changes in housing unit counts for each town from 1990-2000. Note that these counts are the net result of both new construction and destruction (from Hurricane Iniki).

Of the 7,718 net new housing units, fully 45% are Seasonal, while 14% are for renters and 36% are owner-occupied.

Across the 18 towns, the seasonal share of new units ranges from 99% in Po`ipu (with 1,457) to 1% in Lawai (with 2 new seasonal units).

Note that the numbers of renters increased in all but four towns. Lihu`e, Hanapepe, Waimea, and Kekaha are shifting from renter to owner occupied housing; the 4-town decline in renters totals 127 units, while 525 homes are newly owner-occupied and 82 are new seasonal units.

TOWN-BY-TOWN HOUSING UNIT CHANGES, 1990-2000							
	NEW	СН	ANGE IN UN	ITS	SHAF	RE OF NEW	UNITS
	UNITS	Seasonal	Renters	Owners	Seasonal	Renters	Owners
Anahola	255	16	37	187	6%	15%	73%
Ele`ele	187	4	40	133	2%	21%	71%
Hanalei	86	74	12	10	86%	14%	12%
Hanama`ulu	40	4	99	-88	10%	248%	-220%
Hanapepe	254	4	-24	243	2%	-9%	96%
Kalaheo	310	21	87	189	7%	28%	61%
Kapa`a	896	265	297	280	30%	33%	31%
Kekaha	56	19	-41	77	34%	-73%	138%
Kilauea	427	99	90	197	23%	21%	46%
Koloa	161	9	135	3	6%	84%	2%
Lawai	136	2	37	82	1%	27%	60%
Lihu`e	172	44	-57	170	26%	-33%	99%
Omao	53	12	8	36	23%	15%	68%
Po`ipu	1,472	1,457	25	59	99%	2%	4%
Princeville	1,026	695	75	192	68%	7%	19%
Wailua Homestead	459	28	216	201	6%	47%	44%
Wailua Houselots	490	375	47	53	77%	10%	46% 2% 60% 99% 68% 4% 19% 44%
Waimea	38	15	-27	35	39%	-71%	92%
KAUA`I	7,718	3,517	1,086	2,802	45.6%	14%	36%
SOURCE: Census 2000							

In contrast, Hanama`ulu is shifting from owner to renter-occupied housing, with 88 fewer home-owners and 99 new renters.

Notice that Hanalei, whose 74 new seasonal units comprise 86% of new units, also had 12 new renters and 10 new owner occupied units.

The total of 2,152 new seasonal units in Po`ipu and Princeville constitute 28% of all new housing units over this decade.

The 668 new seasonal units on the Eastside comprise 36% of all new housing in Kapa`a and the Wailua Houselots and Homestead, largely due to the expansion of shorefront condos.

LOCATION ANALYSIS Page 7 of 20

WHERE ARE RENTALS OUTSIDE OF A VDA?

These Tables presents the 2000 Census counts for seasonal units in each District together with the number located inside and outside of a designated Visitor Destination Area (VDA).

These counts are derived from the Census block data and the County-defined VDA. [See the maps beginning on page 16 for VDA boundaries.]

A total of 3,066 seasonal units are within the VDA, or 80% of the total.

Of the 784 units not within the VDA, 386 (49%) are on the Northshore, 104 (13%) are on the Eastside, and South Central (Lihu`e) has 58 (8%). There are 81 (10%) on the Southshore and 155 (20%) are on the Westside, (including 96 in Koke`e).

56% of these (439) non-VDA seasonal units are in towns; 345 are not (including the 96 Koke`e units, which may be a special case).

Note that there are more seasonal units in Kekaha and Waimea than in Ha`ena, and that seasonal units in Lihu`e and Wailua Homestead are equal to the number in Ha`ena.

From the Census block data (not shown), there are 843 blocks with housing units on Kauai and 240 of these blocks have at least one seasonal unit. Fully 98% of Kauaian reside in one of the 74 blocks that have 5 or more seasonal units.

Tabulating for blocks outside of the VDA with more than 15% (average) seasonal housing identified 22 blocks with a total of 397 seasonal units where 1,451 Kauaians also reside.

[Note: these block counts are displayed on the town maps that begin on page 16.]

INSIDE VDA:				
LOCATION	UNITS			
Po`ipu	1,489			
Princeville	735			
Wailua Houselots	379			
Kapa`a	241			
Lihu`e*	222			
TOTAL	3,066			
* Includes Nuko lî Iw ith unclearVD	A boundaries.			

DISTRICT	TOTAL UNITS	NON-VDA UNITS	NON-VDA SHARE	
North Shore	1,076	386	36%	
East Side	769	104	14%	
South Central	280	58	21%	
South Shore	1,570	81	5%	
West Side	155	155	100%	
TOTAL	3,850	784	20%	
SOURCE:Census 2000 and CountyVDA.				

NON-VDA:	
LOCATION	UNITS
Koke`e	96
Hanalei	93
Wainiha *	76
Anini	58
Kilauea	52
Kapa`a	51
Lihu`e	42
Wailua Homestead	42
Ha`ena	42
Waipake/Aliomanu	38
Kekaha	29
Anahola	27
Kalaheo	26
Waimea	17
`Omao	15
Kalaheo Hills	13
Koloa	11
Wailua Houselots	9
Puhi	8
Lawai	8
Lawai Shore	7
Hanapepe	6
Hanama`ulu	6
Ele`ele	5
Kealia	2
Ha`iku Malaawa li	2
Makaweli	2
Maha`ulepu	1
TOTAL	784

^{*} Includes vast mauka area from Powerhouse Road to Kalihiwai, according to Census block boundaries.

LOCATION ANALYSIS Page 8 of 20

WHERE ARE INDIVIDUAL VACATION UNITS?

These tables from two different sources present the counts of individual vacation units (private homes and cottages) that are in the short-term rental market as of 2003.

[As noted with the summary counts introduced on page 2, these lists are partially duplicative and The Kauaian Institute is compiling a complete list in further research.]

These numbers are presented here for illustrative purposes only and cannot be relied upon to accurately represent the current housing situation in these locations.

VACATION RENTAL MANAGER'S LISTINGS

(Compiled from managers' records)

PLACE	UNITS
Anahola	33
Anini	34
Haena	70
Hanalei	107
Kapaa	20
Kilauea	42
Lihue	2
Moloaa	9
Omao	2
Poipu	79
Princeville	68
Wailua	10
Waimea	14
Wainiha	5
Waipake	1
TOTAL	496

VACATION RENTAL-BY-OWNER LISTINGS

(Compiled from www.vrbo.com website)

PLACE	VRBO	F
Anahola	9	E
Anini	8	
Haena	13	
Hanalei	27	Ī
Kalaheo	7	
Kalihiw ai	1	Ī
Kapaa	33	
Kekaha	7	
Kilauea	18	E
Koloa	17	
Law ai	2	
Lihue	3	E
Makaw eli	1	
Moloaa	7	
Poipu	70	
Princeville	100	
Wailua	6	
Waimea	1	
Wainiha	4	
TOTAL	334	

Notice from the managers listing that Hanalei has 107 IVUs, Po`ipu has 79, Ha`ena has 70 and Princeville has 68.

The numbers from the rental-by-owner listing is 27 IVUs in Hanalei, 70 in Po`ipu, 100 in Princeville and 13 in Ha`ena.

In contrast, the DBEDT inventory (not shown) lists Hanalei with 93, Po`ipu with 32, Ha`ena with 42, and Princeville with 88 IVUs.

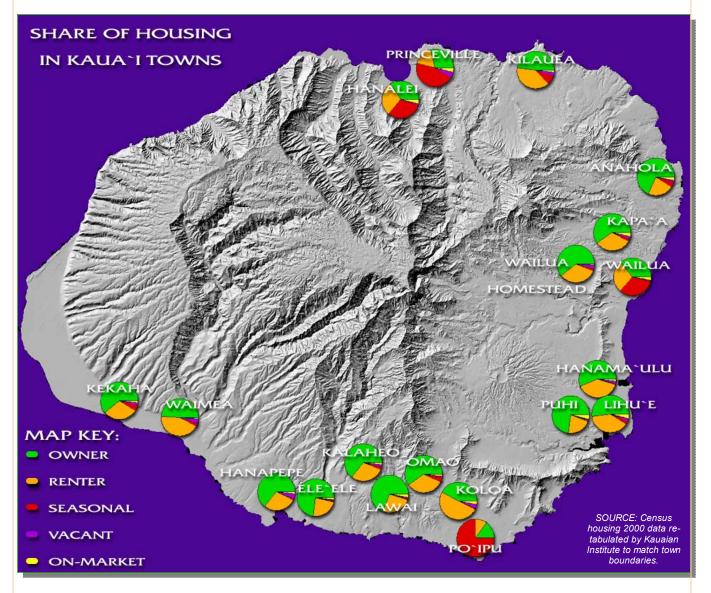
LOCATION ANALYSIS Page 9 of 20

WHAT SHARE OF EACH TOWN'S HOUSING IS SEASONAL?

This map displays the share of housing in each town that is occupied by owners and renters as well as the share in seasonal units and other vacant or on-market units.

The pie charts show owners in green, renters in orange, seasonal in red and other vacancies in purple and yellow.

As of the 2000 Census, 15% of housing units are seasonal, ranging across towns from 0.6% in Hanama`ulu to 75% in Po`ipu.



Note that Hanalei has fairly equal shares of owner, renter and seasonal units, and that Wailua (Houselots) has a large share of seasonal units (including the Coconut Coast shoreline condos). Po`ipu stands out with $\frac{3}{4}$ of housing in seasonal units.

A DEMOGRAPHICS PROFILE OF VACATION RENTAL PATRONS

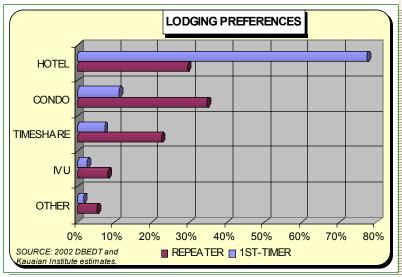
WHAT SHARE OF VISITORS PREFER NON-TRADITIONAL LODGING OPTIONS?

This chart shows the share of each lodging segment chosen by 1st-time and repeat visitors.

Notice that repeaters are much more likely to select condos, timeshare, IVUs and other lodging than 1st-timers.

Over 30% of repeaters choose condos versus barely 10% of 1st-timers.

Nearly 10% of repeaters choose IVUs versus 3% of 1st-timers.



HOW MANY REPEATERS AND 1ST-TIMERS CHOOSE VACATION RENTALS?

A combined total of 24% of all visitors choose condos and 6% choose IVUs, as shown in the Table at the right.

Over 300,000 visitors chose vacation rentals in 2002, including 243,427 condo visitors and 57,336 IVU visitors.

Combining the condo and IVU visitors, over 56,000 were 1st-timers and nearly 244,000 were repeaters.

2002 VISITOR LODGING AND PATRONS, BY SEGMENT

	VISITOR		VISITORS					
	UNITS	TOTAL	1ST-TIMER	REPEATER	SHARE			
HOTEL	3,070	509,980	321,310	168,293	51%			
TIME-SHARE	1,643	158,207	29,909	128,148	16%			
CONDO	1,779	243,427	46,010	197,369	24%			
IVU	420	57,336	10,837	46,488	6%			
OTHER	125	36,948	6,933	29,928	4%			
TOTAL	7,037	1,005,898	414,999	570,225	100%			

SOURCE: Estimated from DBEDT accommodations and visitor data.

HOW MUCH DO VACATION RENTALS CHARGE?

This Table shows the share of lodging in each segment that is available at budget, standard, deluxe and luxury rates.

Notice that a combined total of 41% of all lodging is in the deluxe or luxury class while 28% of vacation rentals are priced in this range.

Fully 36% of IVU's are in the budget class versus the island average of 15%.

LODGING TYPE, BY PRICE CLASS

TYPE	BUDGET	STANDARD	DELUXE	LUXURY	TOTAL	
HOTEL	14%	33%	37%	16%	100%	
TIMESHARE	8%	55%	33%	4%	100%	
IVU	36%	40%	18%	6%	100%	
CONDO	13%	58%	28%	1%	100%	
VacRent SubTot	17%	55%	26%	2%	100%	
TOTAL	15%	44%	32%	9%	100%	

CLASS OF LODGING:

BUDGET = Under\$100 pernight

STANDARD = \$100 - \$250 pernight

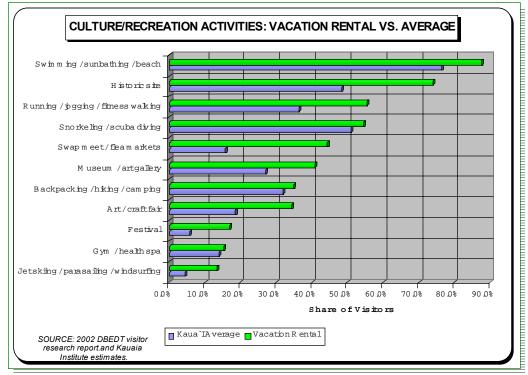
SOURCE: 2002 DBEDT VISITOR PLANT INVENTORY

DELUXE = \$250 - \$500 pernight LUXURY = Over\$500 pernight VISITOR PROFILE Page 11 of 20

WHAT ACTIVITIES DO VACATION RENTAL PATRONS PREFER?

A profile of vacation rental patrons' activity preferences shows that they are much more likely to participate in community events than the average visitor, as shown in the Chart below.

In the Chart of culture and recreation activities below, notice the differences in patronage at historic sites, local markets, and craft fairs, where vacation rental visitors were 25%, 20% and 10%, respectively, more likely to participate than average visitors.



Notice in the Chart of commercial activities below that vacation rental visitors were much more likely to patronize designer boutiques, whale watching, and sports events.

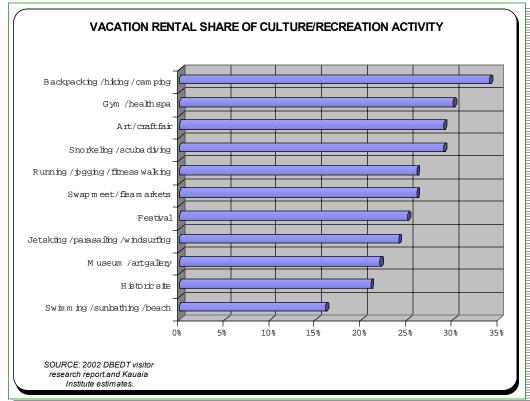


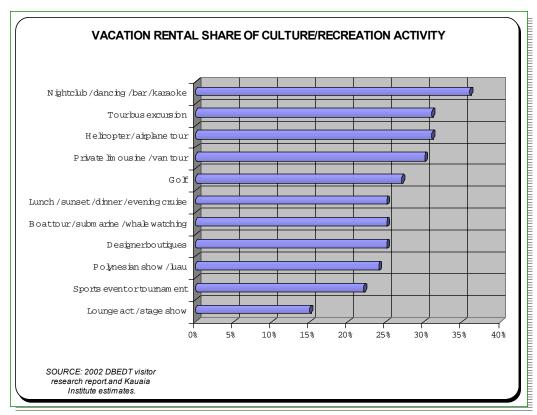
VISITOR PROFILE Page 12 of 20

WHAT SHARE OF ACTIVITIES DO VACATION RENTAL PATRONS SUPPORT?

The Charts below show the share of each activity accounted for by vacation rental visitors.

Notice that approximately 30% of the patrons of health spas and helicopter rides were vacation rental visitors.





ECONOMIC IMPACTS Page 13 of 20

THE ECONOMIC FOOTPRINT OF VACATION RENTALS

WHAT ARE THE OVERALL ECONOMIC IMPACTS?

This section presents an application of Input-Output (I-O) model techniques in analyzing Kaua`i vacation rental activity.

The analysis begins with an estimate of the expected direct dollar impact of the vacation rental segment on Kauai, which are constructed from information *outside* the I-O model. The I-O model then converts these direct dollar impacts into additional indirect and induced effects on sales, income, and jobs.

Taking into account DBEDT information on visitor arrivals and lodging choices, the Kauaian Institute has estimated the total annual revenues of vacation rental accommodations on Kauai to be \$102 million in 2002. Using economic multipliers determined through the I-O model, the impact of this \$102 million expenditure can be estimated on Kauai's economy.

This \$102 million is allocated to the various industries producing the goods and services purchased by vacation rentals based on the industries' shares in total accommodations expenditure in the DBEDT I-O table. Then, the value of the increase in vacation rental spending for each industry is multiplied by the final-demand output, earnings and job multipliers for that industry and the results are added up to obtain the total output, earnings and job impacts of the increase in vacation rental expenditures.

The results, shown in the Table below, indicate that a hypothetical increase in vacation rental expenditures of \$102 million could potentially add to the Kaua`i economy about \$150 million in output (sales), \$41 million in earnings, and about 1,600 jobs.

ECONOMIC IMPACT OF VACATION RENTALS, 2002									
TYPE OF IMPACT VALUE SHARE									
Vacation rental activity on Kaua`l *									
Vacation rental revenue	\$102 million	10% of visitor spending							
Economic activity generated on Kaua`l **									
Total output \$150 million 11% of island of									
House hold income	\$41 million	5% of island income							
Service, real estate, info and finance jobs	COV afialandiaha								
Trade, industry and government jobs	591	6% of island jobs							
State and county taxes generated ***									
Transient Accommodations Tax	\$7.4 m illion	29% of island payments							
General Excise Tax	\$4.0 m illion	8% of island payments							
Property Tax	\$3.3 m illion	9% of island payments							

Source: The Kauaian Institute

- * Estimated from DBEDT data for vacation rental share of Kaua`i visitor spending on
- ** Estimated from DBEDT input-output data and induced impact multipliers for island
- *** Estimated from DBEDT visitor spending data and County property assessment data.

Notice that nearly 1,000 (986) workers are generated by job sectors that directly support the vacation rental segment, and another nearly 600 (591) jobs are supported in other sectors.

By multiplying the \$102 million in revenue times the tax rates for general excise, transient accommodation and property, it is estimated that vacation rentals generate about \$15 million in state and county government tax revenues.

ECONOMIC IMPACTS Page 14 of 20

WHAT ARE THE MULTIPLIED IMPACTS OF VACATION RENTALS?

The Table below presents the results of multiplier analysis for each major sector in the Kauai economy based on current vacation rental spending of \$102 million.

Note that the sum totals in the bottom row are as reported on the previous page-- \$150 million output, \$41 million household income, and 1,577 total jobs.

Economic Impacts of \$102 Million Increase in Vacation Rentals Spending									
List	Lodging	Change in	Type II Multipliers			Economic Impact			
of	\$ Share	Spending				(\$ mil.)	(\$ mil.)	No.	
Industries	(%)	(\$ mil.)	Output	Earnings	Job	Output	Earnings	Jobs	
Agriculture	1.8%	\$1.8	1.94	0.59	34.8	\$3.6	\$1.1	64	
Mining and construction	1.4%	\$1.5	1.98	0.65	19.7	\$2.9	\$1.0	29	
Food processing	2.8%	\$2.9	1.98	0.44	19.3	\$5.7	\$1.3	56	
Other manufacturing	1.0%	\$1.1	1.41	0.24	8.5	\$1.5	\$0.3	9	
Transportation	1.7%	\$1.8	1.85	0.49	16	\$3.3	\$0.9	28	
Information	6.0%	\$6.1	1.64	0.41	12.6	\$10.1	\$2.5	77	
Utilities	9.7%	\$9.9	1.73	0.3	8.1	\$17.2	\$3.0	80	
Wholesale trade	3.6%	\$3.6	1.72	0.54	18.7	\$6.2	\$2.0	68	
Retail trade	5.1%	\$5.2	1.85	0.59	27.3	\$9.6	\$3.1	142	
Finance and insurance	12.1%	\$12.4	1.86	0.48	16.5	\$23.0	\$5.9	204	
Real estate and rentals	14.5%	\$14.8	1.49	0.21	8.4	\$22.0	\$3.1	124	
Professional services	5.0%	\$5.1	2.03	8.0	26.1	\$10.3	\$4.1	133	
Business services	9.6%	\$9.8	1.95	0.75	33.8	\$19.1	\$7.3	331	
Educational services	0.0%	\$0.0	2.1	0.85	38.6	\$0.0	\$0.0	0	
Health services	0.0%	\$0.0	2.03	0.74	23.2	\$0.0	\$0.0	0	
Arts and entertainment	0.7%	\$0.7	1.98	0.62	32.8	\$1.5	\$0.5	24	
Accommodations	0.1%	\$0.1	1.93	0.58	20.9	\$0.2	\$0.1	2	
Eating and drinking	0.9%	\$0.9	1.95	0.57	30.7	\$1.8	\$0.5	28	
Other services	3.1%	\$3.1	2.05	0.67	31.7	\$6.4	\$2.1	100	
Government	3.0%	\$3.0	1.81	0.87	26.1	\$5.5	\$2.6	79	
Industries total	82.2%	\$83.8	1.79	0.49	18.8	\$149.8	\$41.2	1,577	
Imports	17.8%	\$18.2				\$0.0	\$0.0	0	
Total	100.0%	\$102.0				\$149.8	\$41.2	1,577	

Source: 1997 DBEDT Input-Output Model and Kauaian Institute estimates of vacation rental output in 2002.

The output *multiplier* of 1.79 (highlighted in the yellow "Industries Total" row) means that for every \$1 of spending by visitors on vacation rentals an additional 79 cents of spending will be generated elsewhere in the local economy for a total of \$1.79 generated. The additional 79 cents is composed of increased inter-industry sales and sales induced by the re-spending of income generated by the initial \$1 of vacation rental spending."

The "income" multiplier of 0.49 has a similar interpretation, with \$1 of vacation rental spending leading to \$0.49 in income. Here, the multiplier is lower than one because a significant portion of the \$1.79 in sales generated will not become household income. Part of the sales revenues will go to profits, taxes and other business expenses. An even larger amount of revenues will "leak" out of the economy before creating income, in order to pay for business purchases from outside Hawaii and also payment for goods brought in to sell to visitors.

The "employment" multiplier is expressed as jobs per \$1 million of vacation rental spending. However, an adjustment is made to account for wage and price increases by adjusting the multiplier (downwards) to reflect the higher cost of supporting a job in 2002 compared with 1998. Because of higher wages over the years fewer jobs can be created for each million dollars of visitor spending and this needs to be reflected in the multiplier. Thus, after "deflating" the multiplier, it is estimated that 18.8 jobs were supported in 2002 for every \$1 million of vacation rental spending.

ECONOMIC IMPACTS Page 15 of 20

WHAT ARE THE IMPACTS ON JOBS & HOUSING?

This Table shows the seasonal (purple) and longterm (green) units in each town as well as their share of housing. Also shown (orange) is the share of longterm rentals that are "low rent", as well as estimates of each town's vacation rental jobs created (blue) and tourismrelated workers (yellow).

Note that the low-rent share is biggest in towns with the smallest share of seasonal units, as in Koloa with 80% low-rent and 1% seasonal.

Notice also that Princeville and Po`ipu are net job creators for other towns, with more

jobs in vacation rentals than residents in tourism employment.

HOW DO SEASONAL
CHANGES COMPARE WITH
OWNER/RENTER CHANGES?

This Table shows the changes in share of housing between 1990 and 2000 for each town's seasonal, renter and owner-occupied housing units.

Notice that Kilauea increased from 1% to 9% seasonal while renters slipped from 34% to 30% and owners fell from 58% to 55%.

Po`ipu saw the most dramatic change as seasonal units jumped from 5% to 75%, renters fell from 32% to 9% and owner units dropped to 15% from 46%.

Hanalei changed less dramatically as its seasonal share increased by 22% while the renter share dropped by 6% and the owner share dropped 8%.

Town-by-Town Indicators of Vacation Rental Impacts									
	No.of Season- alUnits	Season- alShare ofall Units	No.of LT Rental Units	LT Renter Share of allUnits	LT Rental Share of Rentals	Low Rent* Share of Rentals	Vac. Rental Jobs**	No.of Tourism Workers ***	Tourism Share of Jobs ***
Anahola	27	4%	137	23%	84%	51%	11	151	19%
⊟e`ele	5	1%	147	23%	97%	75%	2	204	25%
Hanalei	93	31%	91	30%	49%	33%	38	58	25%
Hanama`ulu	6	1%	369	39%	98%	59%	2	442	32%
Hanapepe	6	1%	216	29%	97%	56%	2	214	22%
Kalaheo	26	2%	456	30%	95%	60%	11	401	21%
Kapa`a	292	8%	1,401	39%	83%	51%	120	786	19%
Kekaha	29	2%	376	32%	93%	64%	12	237	17%
Kilauea	110	9%	341	30%	76%	31%	45	279	26%
Koloa	11	1%	382	51%	97%	80%	5	265	32%
Law ai	8	1%	192	26%	96%	27%	3	210	20%
Lihu`e	71	3%	889	37%	93%	50%	29	530	20%
Omao	15	4%	140	33%	90%	39%	6	144	24%
Po`ipu	1,480	75%	185	9%	11%	23%	606	200	36%
Princeville	735	45%	274	17%	27%	16%	301	165	22%
Vailua Homestead	42	2%	587	33%	93%	34%	17	172	20%
Wailua Houselots	388	32%	338	28%	47%	36%	159	490	21%
Waimea	17	3%	289	43%	94%	71%	7	118	15%
KAUA`I	3,361	15%	7,799	31%	70%	46%	1,577	5,854	22%

SOURCE: Census 2000 housing data and job estimates by the Kauaian Institute.

OWN BY TOWN HOUGING CHARE CHANGES

^{***} Tourism includes arts, entertainment, recreation, accommodation, and food service employment.

TOWN-BY-TOWN HOUSING SHARE CHANGES, 1990-2000									
	SEASON	AL SHARE	RENTER	SHARE	OWNER SHARE				
	1990	2000	1990	2000	1990	2000			
Anahola	3%	4%	28%	23%	64%	68%			
⊟e`ele	0%	1%	23%	23%	74%	73%			
Hanalei	9%	31%	36%	30%	42%	34%			
Hanama`ulu	0%	1%	30%	39%	68%	56%			
Hanapepe	0%	1%	48%	29%	49%	65%			
Kalaheo	0%	2%	31%	30%	65%	64%			
Kapa`a	1%	8%	40%	39%	53%	48%			
Kekaha	1%	2%	38%	32%	56%	60%			
Kilauea	1%	9%	34%	30%	58%	55%			
Koloa	0%	1%	42%	51%	52%	42%			
Law ai	1%	1%	25%	26%	72%	69%			
Lihu`e	1%	3%	42%	37%	50%	54%			
Omao	1%	4%	36%	33%	59%	60%			
Po`ipu	5%	75%	32%	9%	46%	15%			
Princeville	7%	45%	32%	17%	47%	29%			
Wailua Homestead	1%	2%	40%	33%	54%	61%			
Wailua Houselots	2%	32%	29%	28%	67%	37%			
Waimea	0%	3%	50%	43%	46%	49%			
KAUA`I	2%	15.2%	38%	31%	54%	50%			
SOURCE:Census 2000 housing data.									

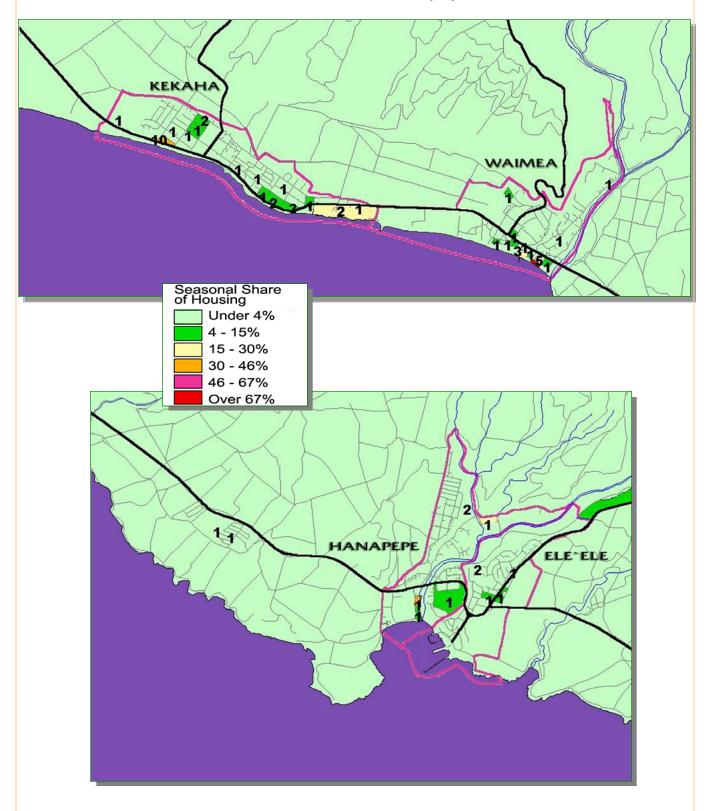
^{*} Low rent includes rents of \$750 per month or ** Total jobs created by vacation rentals in each town.

TOWN MAPS Page 16 of 20

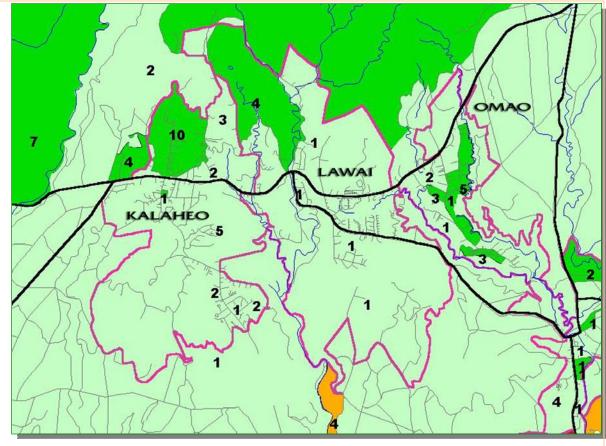
DETAILED CENSUS BLOCK MAPS OF SEASONAL UNITS

On the next five pages, each Kauai town is mapped to show the number of seasonal units and their share of housing for each Census block.

Each Census block is shown with a color for the seasonal share of housing (see map key) together with the actual count of seasonal units. Town boundaries are shown in purple.

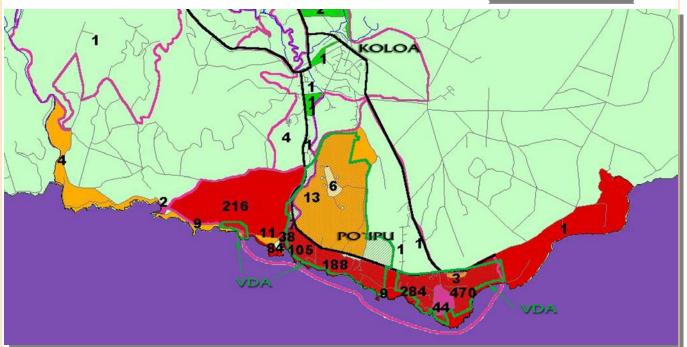


TOWN MAPS Page 17 of 20

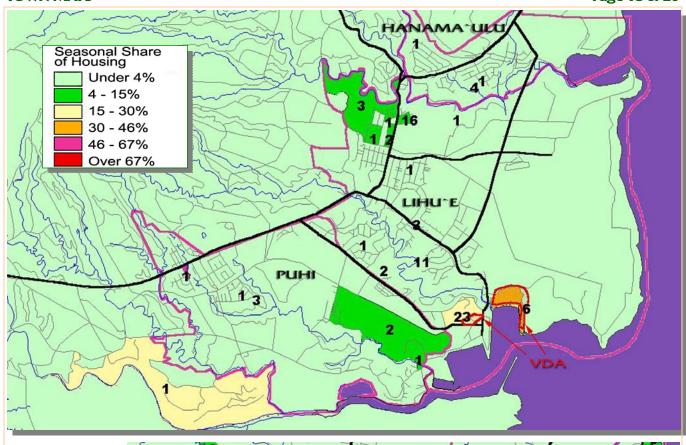


Each Census block is shown with a color that is coded to the seasonal share of housing (see map key) together with the actual count of seasonal units. Town boundaries are shown in purple, and the Po`ipu VDA boundaries are shown in green.

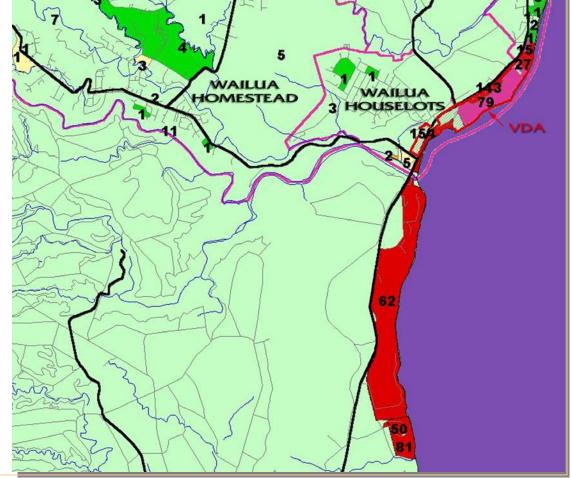




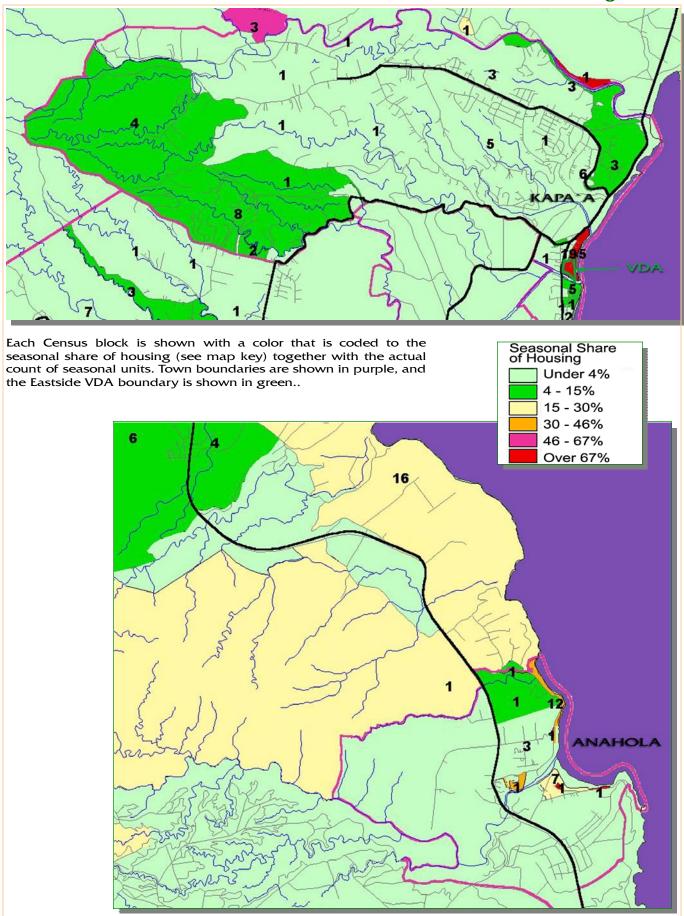
TOWN MAPS Page 18 of 20



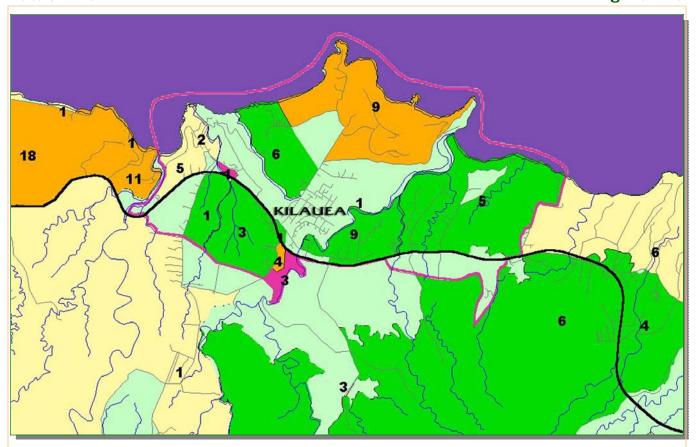
Each Census block is shown with a color that is coded to the seasonal share of housing (see map key) together with the actual count of seasonal units. Town boundaries are shown in purple, and VDA boundaries are shown in red.



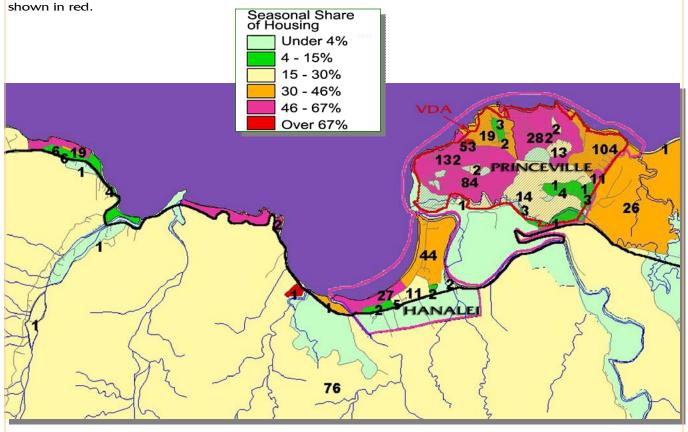
TOWN MAPS Page 19 of 20



TOWN MAPS Page 20 of 20



Each Census block is shown with a color that is coded to the seasonal share of housing (see map key) together with the actual count of seasonal units. Town boundaries are shown in purple, and the Northshore VDA boundary is



KAUAI TOWN DEMOGRAPHICS ARE AVAILABLE FOR:

Anahola

• Ele`ele

Hanalei

Hanama`ulu

Hanapepe

Kalaheo

Kilauea

Kapa`a

Kekaha

Koloa

Lawai

Lihu`e

Omao

• Po`ipu

• Princeville

Wailua

Wailua Homestead

Waimea

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